

Davide Romelli – CBIE data

If you use any of these variables, make sure to cite the original source and QoG Data. Our suggested citation for this dataset is:

Romelli, D. (2022). The Political Economy of Reforms in Central Bank Design: Evidence from a New Dataset. *Economic Policy*, eiac011, <https://doi.org/10.1093/epolic/eiac011> (Open Access)

<https://davideromelli.com/cbidata/>

(Data downloaded: 2022-06-16)

Data on Central Bank Independence

This dataset provides information on a comprehensive index of CBI covering a wide range of central bank characteristics based on the charters of 154 central banks, over the period 1972–2017. The construction of the index uses, as a starting point, the two most commonly employed CBI indices, namely the Grilli et al. (1991) [GMT] and the Cukierman et al. (1992) [CWN]. This new index, called CBI – extended (CBIE) index, provides information on 42 criteria of central bank institutional design across six dimensions: (1) governor and central bank board, (2) monetary policy and conflict resolution, (3) objectives, (4) limitations on lending to the government, (5) financial independence and (6) reporting and disclosure.

This extended index incorporates the characteristics of both the GMT and CWN indices. Moreover, it expands the GMT political independence index by collecting additional information on the dismissal of the governor and other board members, in addition to identifying if the governor is legally allowed to hold other offices in the government. It also augments the GMT economic independence index by including information on the authority responsible for setting the financial conditions on lending to the government. Apart from integrating these two indices, one important innovation of the CBIE index is the inclusion of new criteria that capture good practices in central bank financial independence and reporting and disclosure.

In addition to the data on the CBIE index, this dataset also provides information on the various subcomponents of the index, updated data on the Grilli et al. (1991), the Cukerman et al. (1992) and the Jacome and Vazquez indices of CBI, as well as a dummy indicating whether the independence of the central bank is entrenched in the constitution.

1. Central Bank Independence Extended index (cbie_index)

CBIE index: average of the scores across these six dimensions of the index, i.e. Raw average of the four components: (1) governor and central bank board, (2) monetary policy and conflict resolution, (3) objectives, (4) limitations on lending to the government, (5) financial independence and (6) reporting and disclosure. The index ranges from 0 to 1 where 0 corresponds to the lowest level of independence to 1, the highest level.

2. Central Bank Independence Extended index reform (cbie_indexref)

Dummy that takes the value of 1 if the CBIE index has changed between year t and t-1.

3. CBI - Governor and central bank board (cbie_board)

Governor and central bank board. Average of the following components: Who appoints the governor, Term of office of the governor, Reappointment option for the governor, Dismissal of governor, Governor allowed to hold another office in government, Qualification requirements for governor, Who appoints the board members, Term of office of board members, Reappointment option for board members, Dismissal of board members, Board members allowed to hold another office in government, Qualification requirements for board members, Staggering term of office for board members, Government representatives in the board. The index ranges from 0 to 1 where 0 corresponds to the lowest level of independence to 1, the highest level.

4. CBI - Governor and central bank board reform (cbie_boardref)

Dummy that takes the value of 1 if the CBIE - Governor and central bank board index has changed between year t and t-1.

5. CBI - Monetary policy and conflicts resolution (cbie_policy)

Monetary policy and conflicts resolution. Average of the following components: Who formulates monetary policy, Central bank responsible to fix key policy rates, Banking sector supervision, Central bank role in government's budget and/or debt, Final authority in monetary policy. The index ranges from 0 to 1 where 0 corresponds to the lowest level of independence to 1, the highest level.

6. CBI - Monetary policy and conflicts resolution reform (cbie_policyref)

Dummy that takes the value of 1 if the CBIE - Monetary policy and conflicts resolution index has changed between year t and t-1.

7. CBI - Objectives (cbie_obj)

Objectives. Provides information on the central bank's statutory goals. The index ranges from 0 to 1 where 0 corresponds to the lowest level of independence to 1, the highest level.

8. CBI - Monetary policy and conflicts resolution reform (cbie_objref)

Dummy that takes the value of 1 if the CBIE - Objectives index has changed between year t and t-1.

9. CBI - Limitations on lending to the government (cbie_lending)

Limitations on lending to the government. Average of the following components: Direct credit: not automatic, Direct credit: market for lending, Who decides financing conditions to government, Beneficiaries of central bank lending, Direct credit: type of limit, Direct credit: maturity of loans, Direct credit: interest rates, Prohibition from buying government securities in primary market. The index ranges from 0 to 1 where 0 corresponds to the

lowest level of independence to 1, the highest level.

10. CBI - Monetary policy and conflicts resolution reform (cbie_lendingref)

Dummy that takes the value of 1 if the CBIE - Limitations on lending to the government index has changed between year t and t-1.

11. CBI - Financial independence (cbie_finances)

Financial independence. Average of the following components: Payment of the initial capital of the central bank, Authorized capital of the central bank, Central bank financial autonomy, Arrangements for automatic recapitalization, Transfers of money from the treasury, Central bank approves its annual budget, Central bank adopt its annual balance sheet, Auditing agency, Allocation of net profits, Allocation of profits to a general reserve fund, Partial payments of dividends before the end of the fiscal year, Unrealized profits included in the calculation of distributable profits. The index ranges from 0 to 1 where 0 corresponds to the lowest level of independence to 1, the highest level.

12. CBI - Financial independence reform (cbie_financesref)

Dummy that takes the value of 1 if the CBIE - Financial independence index has changed between year t and t-1.

13. CBI - Reporting and disclosure (cbie_report)

Financial independence. Average of the following components: Central bank reporting, Central bank financial statements. The index ranges from 0 to 1 where 0 corresponds to the lowest level of independence to 1, the highest level.

14. CBI - Reporting and disclosure reform (cbie_reportref)

Dummy that takes the value of 1 if the CBIE - Financial independence index has changed between year t and t-1.

15. Central bank independence in the constitution (cbie_cbconstitution)

Dummy that takes the value of 1 if the degree of independence of the central bank is entrenched in the constitution.

16. Grilli et al. (1991) Index of central bank independence (cbie_gmt)

Grilli et al. (1991) index of central bank independence. The index ranges from 0 to 1 where 0 corresponds to the lowest level of independence to 1, the highest level.

17. Cukierman et al. (1992) Index of central bank independence (cbie_lvau)

Cukierman et al. (1992) Unweighted Index of central bank independence. The index ranges from 0 to 1 where 0 corresponds to the lowest level of independence to 1, the highest level.

18. Jácome and Vázquez (2008) Index of central bank independence (cbie_cwne)

Jácome and Vázquez (2008) Index of central bank independence. The index ranges from 0 to 1 where 0 corresponds to the lowest level of independence to 1, the highest level.

i. Component 2: Objectives (cbi_cobj)

Component 2: Objectives. Central bank objectives as stated in the law (coding between parentheses): Price stability is the major or only objective, and in case of conflict with other objectives, the Central Bank has final authority (1); Price stability is the only objective (0.8); Price stability is one of the objectives, with other compatible objectives (0.6); Price stability is one of the objectives, with other potentially conflicting goals (0.4); Central Bank charter does not contain any objective (0.2); Some objectives appear in the charter but price stability is not one of them (0).

ii. Component 3: Policy formulation (cbi_cpol)

Component 3: Policy formulation. Weighted average of the following variables (weights between parentheses): Who formulates monetary policy (0.25); Who has the final decision in monetary policy (0.50), Role of the central bank in the budget process (0.25).

iii. Year of law creating the central bank (cbi_create)

1 indicates the year of the law creating the central bank, 0 otherwise.

iv. Year of a reform that decreased central bank independence (cbi_dec)

1 indicates the year of a reform that decreased CBI, according to the CBI weighted index, 0 otherwise

v. Effect of the central bank reform on the weighted index (cbi_dir)

Effect of the central bank reform on the CBI weighted index: 1 indicates an increase in CBI; 0 indicates no changes in the level of CBI; 1 indicates the presence of a central bank reform that increased CBI.

vi. Year of a reform that increased central bank independence (cbi_inc)

1 indicates the year of a reform that increased CBI, according to the CBI weighted index, 0 otherwise.

vii. Year of a reform that affects the central bank independence (cbi_ref)

1 indicates the year of a reform that affects CBI, 0 otherwise.



viii. Whether the central bank is a regional organization (cbi_reg)

Indicates whether the central bank is a regional organization (1), or a national central bank (0).